Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

Message Text

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ORIGIN EUR-12

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DRAFTED BY EUR/NE:DJDONCHI:NLS
APPROVED BY EUR - RDVINE
EUR/NE - JJCROWLEY, JR.
EUR - AHUGHES (SUBS)
S/S - MR. GAMBLE
OASD/ISA - COL. WALKER
----------060116Z 031468 /13-61
O 060054Z MAY 77 ZFF4
FM SECSTATE WASHDC
TO USDEL SECRETARY IMMEDIATE

C O N F I D E N T I A L STATE 103232 TOSEC 040022

FOR S/S TEAM

E.O. 11652: GDS

TAGS: PFOR, MARR, IC, US, NATO

SUBJECT: PRESIDENT'S MAY 10 BILATERAL WITH ICELANDIC
PRIME MINISTER HALLGRIMSSON: TERMINAL ISSUE UPDATE

1. YOUR DECISION NOT TO MAKE A FINANCIAL CONTRIBUTION
TOWARD THE CONSTRUCTION OF A CIVILIAN TERMINAL BUILDING
AT KEFLAVIK AIRPORT HAS BEEN COMMUNICATED TO THE ICELANDIC
AMBASSADOR IN WASHINGTON AS WELL AS TO OUR EMBASSY IN
REYKJAVIK. PRIME MINISTER HALLGRIMSSON REGISTERED
SHARP DISAPPOINTMENT AT THE DECISION AND HE WILL NO
DOUBT MAKE YOU AWARE OF HIS VIEWS DURING YOUR UPCOMING
BILATERAL MEETING.

2. FOLLOWING ARE THE MAIN POINTS MADE TO THE ICELANDERS
BY ASSISTANT SECRETARY HARTMAN IN WASHINGTON AND AMBASSADOR
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BLAKE IN REYKJAVIK WHICH YOU MAY WISH TO DRAW UPON
DURING YOUR MEETING IF HALLGRIMSSON RAISES THE ISSUE:

-- WE REGRET THAT THE UNITED STATES WILL BE UNABLE TO
CONTRIBUTE TO THE CONSTRUCTION OF THE CIVILIAN TERMINAL
BUILDING.

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-- I WISH TO REAFFIRM THE INTENTION OF THE UNITED STATES

GOVERNMENT TO LIVE UP TO THE TERMS OF THE 1974
MEMORANDUM OF UNDERSTANDING AND TO ADVISE YOU THAT
THIS DECISION IN NO WAY DIMINISHES OUR COMMITMENT
TO THE FULL SEPARATION OF FACILITIES AT KEFLAVIK.

-- WE ARE PREPARED TO MAKE A SUBSTANTIAL EXPENDITURE --
UP TO $25 MILLION -- TOWARD THE CONSTRUCTION OF
TAXIWAYS, RAMPS AND ROADS AT THE TERMINAL COMPLEX.

-- THE DEPARTMENT OF DEFENSE IS PROHIBITED, BY LAW,
FROM FINANCING A CIVILIAN PROJECT.

-- ICELAND'S ADVANCED LEVEL OF DEVELOPMENT PRECLUDES
AN ECONOMIC ASSISTANCE PROGRAM WHICH WOULD BE
CERTAIN TO AROUSE VEHEMENT OPPOSITION IN THE CONGRESS.

-- WE ARE HOPEFUL OF REACHING AGREEMENT IN OTHER
AREAS OF ASSISTANCE SUCH AS A GEOTHERMAL HEATING
SYSTEM FOR THE BASE.

-- I AM PLEASED THAT SECRETARY OF STATE VANCE HAS
AGREED TO RECEIVE FOREIGN MINISTER AGUSTSSON IN
JUNE FOR A BRIEF REVIEW OF BILATERAL AND INTERNATIONAL
ISSUES.

3. PRIME MINISTER HALLGRIMSSON'S REACTION, WHICH
MAY HAVE MELLOWED SOMEWHAT BY THE MAY 10 BILATERAL,
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WAS PREDICTABLY SHARP, REFLECTING BOTH SURPRISE
AND DISAPPOINTMENT. SINCE THE PRIME MINISTER HAD
RAISED THE TERMINAL QUESTION PERSONALLY WITH VICE
PRESIDENT MONDALE, HIS OWN PRESTIGE (AND THAT OF THE
INDEPENDENCE PARTY) WAS UNAVOIDABLY COMMITTED.
HALLGRIMSSON OBVIOUSLY EXPECTED A DIFFERENT RESPONSE.
SPECIFICALLY, THE PRIME MINISTER SAID CONTRIBUTIONS
TO ROADS AND TAXIWAYS AT TERMINAL COMPLEX OR
ADOPTION BY BASE OF GEOTHERMAL HEATING SYSTEM
REPRESENTED NOTHING NEW. HE NOTED HIS GOVERNMENT WOULD
NOW BE OBLIGED TO REVIEW FINANCIAL RELATIONSHIP OF
THE BASE TO THE COUNTRY ON A POINT-BY-POINT BASIS,
A THINLY DISGUISED HINT THAT OUR LOCAL OPERATING
COSTS WILL ESCALATE AT EVERY TURN. THE PRIME
MINISTER ALSO LAMENTED FACT THAT WE HAD NOT BEEN
ABLE TO ARRANGE OR IDENTIFY SOURCES OF LOW-INTEREST
FINANCING AND STATED HE FELT WE WERE STILL UNDER AN
OBLIGATION TO DO SO.

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4. OUR BILATERAL RELATIONS WITH ICELAND WILL BE STICKY AS A RESULT OF OUR REFUSAL TO CONTRIBUTE TO THE CIVILIAN TERMINAL. OUR EFFORTS TO HIGHLIGHT OUR SUBSTANTIAL CONTRIBUTIONS TO THIS AND OTHER PROJECTS HAVE NOT CARRIED MUCH WEIGHT. THE ICELANDERS MAY BE EXPECTED TO PRESS HARD FOR A RESOLUTION OF ALL OUTSTANDING FINANCIAL ISSUES IN ICELAND'S FAVOR IN AN EFFORT TO OBTAIN A SHARPLY INCREASED RETURN FOR THE MAINTENANCE OF THE US MILITARY PRESENCE IN ICELAND.

5. CLEARANCES: OASD/ISA - COL. WALKER; EUR:RDVINE; EUR/NE:JCROWLEY.

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